NYS DEFERRED COMPENSATION BOARD
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DIANA JONES RITTER
EDWARD M. CUPOLI
ROBERT F. MUJICA

February 22, 2013

Memorandum To: Files

Minutes of the February 22, 2013
Public Meeting of the
New York State Deferred Compensation Board

A public meeting of the New York State Deferred Compensation Board (the "***Board***") was held on February 22, 2013, in Room 2E of the offices of Shearman & Sterling, LLP in New York, New York. The meeting began at approximately 9:00 a.m. and adjourned at approximately 3:00 p.m. A separate memorandum to the files, also dated February 22, 2013, lists the materials prepared for and referred to during the meeting.

Board Members:	Diana Jones Ritter, Edward M. Cupoli, Robert F. Mujica[1]
Staff Members ("***Staff***"):	Edward Lilly, David Fischer, Sharon Lukacs, Peter Drao
Shearman & Sterling LLP ("***S&S***")	Kenneth Laverriere, Jennifer Stadler, Sara Nosaka
The Bank of New York Mellon ("***BNYM***"):	David Blakeley
Dwight Asset Management Company LLC ("***Dwight***"):	David Starr, Marie Mastro, John Bisset
Callan Associates Inc. ("***Callan***"):	Mark Kline, Karen McKechnie
Nationwide Retirement Solutions ("***NRS***"):	Brenda Anderson, Larry Hilsheimer, Keri Metres, Patrick Ray, Ric Whetro, Eric Stevensen
CliftonLarsonAllen LLP ("***CliftonLarsonAllen***"):	Thomas Rey, Jason Ostroski
Columbus Circle Investors ("***Columbus Circle***"):	Anthony Rizza, Karl Anderson

[1] Mr. Mujica attended via teleconference.

NEW YORK STATE DEFERRED COMPENSATION BOARD
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Diana Jones Ritter acted as Chairperson and Sara Nosaka acted as Secretary of the meeting. Ms. Ritter called the meeting to order at 9:00 a.m.

I. APPROVAL OF MINUTES

The Board reviewed the minutes of the public meeting held on November 30, 2012. Edward Cupoli moved to approve the minutes. Mr. Mujica seconded the motion, and the Board unanimously approved the minutes.

II. GENERAL PLAN ISSUES

A. Proposed 2013-2014 Budget and Asset-Based Fee

Edward Lilly presented the final proposed administrative Plan budget for the 2013-2014 fiscal year. Mr. Lilly explained that the Plan's estimated expenses for the 2013-2014 fiscal year are $9,797,807, an increase of 0.1% over the 2012-2013 budget. Mr. Lilly noted that, as previously stated at the Board's November meeting, the increase in the Plan's expenses is due to an increase in Plan participants and, consequently, a higher total administration fee paid to NRS.

Mr. Lilly explained that, in the Plan budget presented at the last Board meeting, it was estimated that the asset-based fee would need to be raised from 4.5 basis points to 4.7 basis points to cover the increase in expenses. Mr. Lilly explained that it was now anticipated that the increased market value of the assets subject to the asset-based fee will permit the Board to keep the current asset-based fee of 4.5 basis points, to be levied in April and October, and still maintain a balance of $1.4 million in the Deferred Expense Account. Mr. Lilly confirmed that the asset-based fee is reviewed every six months, thereby allowing the Board to adjust the asset-based fee depending on market conditions and the number of total participants in the Plan. Mr. Cupoli moved to approve the asset-based fee of 4.5 basis points. Mr. Mujica seconded the motion, and the Board unanimously approved the asset-based fee levy.

Mr. Lilly also presented the proposed General Fund appropriation for Board administration and the Special Revenue Fund appropriation for Plan administration as part of the proposed 2013-2014 Executive Budget. Mr. Lilly explained that the proposed General Fund appropriation matches last year's appropriation of $111,000 and covers the cost of travel related to the Model Plan, Model Plan mailings and notices, legal work performed by S&S related to the Model Plan and a small percentage of Staff salaries. With respect to the Special Revenue Fund, Mr. Lilly explained that the appropriation also matches last year's Special Revenue Fund appropriation of $781,000 and covers the cost of travel related to the Plan and most of the cost of travel not solely related to Plan activities, office rent and other office expenses, Staff fringe benefits and the bulk of Staff salaries.

B. Amendment to State Plan and Model Plan

David Fischer provided an overview of Staff's proposal to amend the State Plan and Model Plan documents to allow participants to convert some or all of their balances to an in-Plan Roth account prior to a distributable event. Mr. Fischer briefly summarized the provisions of the American Taxpayer Relief Act of 2012, which amended Section 402A of the Internal Revenue Code ("***Section 402A***") to allow certain employer-sponsored retirement plans to offer to participants the option to convert their assets to an in-plan Roth account at any time, even while in active employment. Mr. Fischer noted that both the State Plan and Model Plan documents currently allow for in-plan Roth conversions only upon a distributable event, as allowed under Section 402A. Mr. Fischer explained that Staff would work with NRS to ensure that the amendments are appropriately communicated to participants and Model Plan sponsors. After further discussion, Mr. Cupoli moved to adopt a resolution approving the amendments to the State Plan and Model Plan documents to allow in-plan Roth conversions by participants at any time. Mr. Mujica seconded the motion, and the resolution was approved.

C. Distribution Change Policy

Mr. Lilly and Mr. Fischer then discussed Staff's recommendation to streamline the process for participants to change their distribution amounts by allowing participants to make distribution changes through the HELPLINE. Mr. Lilly explained that the current process requires participants to complete a distribution request form and submit the hard copy to NRS. Mr. Fischer noted that NRS had confirmed that substantially all other similar plans that NRS administers allow distribution amount changes to be made by telephone. After further discussion, Mr. Mujica moved to allow participants to change their distribution amount through the HELPLINE. Mr. Cupoli seconded the motion, and it was unanimously approved by the Board.

D. Project Sunlight

Mr. Lilly gave an overview of "Project Sunlight," a New York statute enacted as part of the Public Integrity Reform Act of 2011. Mr. Lilly explained that, effective January 1, 2013, the statute requires that in-person meetings, telephone conversations and video conference meetings between individuals at a state entity who have the power to exercise discretion over "covered actions" and an outside person who is or may be attempting to influence a covered action be reported to a centralized database administered by the Office of General Services. Mr. Lilly explained Staff's proposed compliance policy, modeled on that of the New York State Governor's Office of Employee Relations, to report covered interactions by the Board and Staff. Mr. Mujica asked for additional clarity on the types of interactions required to be reported under the statute, noting his concern over his interactions in his capacity as an advisor to the New York State Senate. After further discussion, the Board agreed to adopt the Project Sunlight compliance policy for the Board and Staff, subject to clarification by S&S and Staff of the application of the policy to the Board. Mr. Mujica moved to adopt the policy, subject to clarification of its application to the Board. Mr. Cupoli seconded the motion, and the Board unanimously approved the policy.

At approximately 9:30 a.m., the Board went into executive session with Dwight, Callan, S&S and Staff to discuss Dwight's and Callan's recommendations for the Board's cash manager and transition manager and the mapping options for assets currently in the Janus Fund and Fidelity Magellan Fund. The Board returned from executive session at approximately 10:25 a.m. and the meeting went back into public session.

E. Selection of Cash Manager and Transition Manager

David Starr of Dwight summarized the process of selecting a cash manager for the Stable Income Fund. Mr. Starr explained that a request for proposals ("***RFP***") had been issued on October 22, 2012 and had received twenty responses. Of those responses, Dwight had selected four finalists for interviews: BlackRock, the Plan's current cash manager, J.P. Morgan Asset Management, Payden & Rygel, and Standish (a Bank of New York Mellon company). After review of the candidates' qualifications, performance, cost efficiency and organizational structure and stability, Dwight presented its recommendation that the Board select BlackRock to continue as cash manager for the Stable Income Fund. Mr. Lilly and members of the Board expressed their satisfaction with BlackRock's performance as cash manager under the current contract. Mr. Starr then reviewed the preexisting relationships between Dwight and certain respondents to the RFP and confirmed Dwight's belief that no conflict exists with respect to these respondents that could affect Dwight's recommendation to the Board. Ms. Ritter moved to adopt a resolution to accept Dwight's recommendation to select BlackRock as the Board's cash manager for a ten-year term commencing on July 1, 2013, subject to negotiation of a definitive agreement. Mr. Mujica seconded the motion, and the Board unanimously adopted the resolution to select BlackRock as cash manager.

Karen McKechnie next discussed the process of selecting a transition manager for the Plan. Ms. McKechnie explained that Callan had issued an RFP for transition management services on October 22, 2012 and nine responses were received. After considering several factors demonstrating competence in transition management, including each firm's transition management model, firm experience and personnel, transition management capabilities and defined contribution experience, Callan selected three finalists for interviews: BlackRock, the Plan's current transition manager, The Bank of New York Mellon and Northern Trust. Ms. McKechnie noted that all three candidates exhibited the core transition management capabilities required for the Plan. After explaining Callan's consideration of the finalists' RFP responses and interview presentations, Ms. McKechnie presented Callan's recommendation to select BlackRock as the Board's transition manager for its depth of experience and the Plan's positive prior experience with BlackRock as transition manager. Ms. McKechnie then reviewed the preexisting relationships between Callan and certain respondents to the RFP and confirmed Callan's belief that no conflict exists with respect to these respondents that could affect Callan's recommendation for transition manager. Ms. McKechnie also confirmed that the selection of the same provider for both cash manager and transition manager did not present any potential conflict, and S&S and Dwight concurred in that assessment. Mr. Cupoli moved to adopt a resolution to accept Dwight's recommendation to select BlackRock as the Board's transition manager for a ten-year term commencing on April 1, 2013, subject to negotiation of a definitive agreement. Mr. Mujica seconded the motion, and the Board unanimously adopted the resolution to select BlackRock as transition manager.

F. Closure and Transition of the Janus Fund and Magellan Fund

Mark Kline gave an overview of the issues concerning the two funds, the Janus Fund (the "***Janus Fund***") and the Fidelity Magellan Fund (the "***Magellan Fund***"), that had been closed to new investments. Mr. Kline noted that at the Board's last meeting in November 2012, the Board approved the termination of the two funds subject to finding appropriate alternate investment vehicles for the remaining assets. Mr. Kline presented the mapping options for the assets, explaining Callan's determination that mapping the assets to similar funds within the Plan would provide the most suitable alternative for participants in a cost-effective manner. With respect to the mapping of assets in the Janus Fund, Callan primarily considered two large cap growth funds, the Fidelity OTC Portfolio (the "***Fidelity OTC Fund***") and the Principal Large Cap Growth Fund managed by Columbus Circle Investors (the "***Principal Fund***"). Mr. Kline explained that the Fidelity OTC Fund, as a specialty growth fund, is more volatile than the Janus Fund, rendering the fund inappropriate for participants seeking a more traditional large cap growth investment strategy. In addition, Mr. Kline noted that the Fidelity OTC Fund currently holds a significant percentage of Plan assets, which represent approximately 14% of the total assets of the Fidelity OTC Fund, and that the additional funds would further increase the concentration of Plan assets in the fund. Mr. Kline next discussed the Principal Fund, explaining that, of all the funds in the Plan, the Principal Fund's investment strategy is most closely aligned with that of the Janus Fund. Mr. Kline concluded that the Principal Fund is the Plan's only large cap growth fund that is both appropriate from an investment perspective and open to the mapping of assets in the fund. Mr. Kline described other favorable characteristics of the Principal Fund, including a well-regarded portfolio management team and consistent and positive long-term performance. Mr. Kline also noted that the mapping of Janus Fund assets into the Principal Fund would result in an increase from 0.5% to 8% of Plan assets as a total percentage of the fund, but noted Callan's belief that this increase, while significant, did not represent a liquidity concern for a large cap growth fund.

Mr. Kline then discussed the mapping of assets from the Magellan Fund, explaining that, in addition to the large cap growth funds, Callan had considered the large cap blend options that are currently open to new assets: the Davis New York Venture Fund (the "***Davis Fund***") and the Vanguard Institutional Index Fund (the "***Vanguard Fund***"). Callan had primarily considered the large cap blend funds because, while the Magellan Fund is categorized as a large cap growth fund, its portfolio history exhibits a more conservative investment style with a smaller market cap bias. In addition, Mr. Kline expressed Callan's concern over mapping even more assets to the Principal Fund in the event that the Board accepts the recommendation to map the Janus Fund assets to the

Principal Fund. Mr. Kline then presented Callan's recommendation that the Board map the Magellan Fund assets to the Vanguard Fund, which, as a passively managed fund, will provide participants with a significantly lower fee than the Magellan Fund.

Mr. Kline also gave a brief overview of the potential timing and transition costs for mapping the assets. He stated that Staff and NRS had proposed a timeline providing for notices to be sent to participants beginning in early April and targeting mid-May for the completion of the transfer to the Principal Fund and the Vanguard Fund. Mr. Kline also explained that, according to BlackRock estimates, the potential transition costs to participants range from minimal (for cash-to-cash mapping) to 0.15% of the total dollar amount mapped (for mapping of securities). Mr. Kline noted that actual costs will also depend, in part, on the proportion of stocks transferred in-kind or needing to be bought and sold and the fee to be paid to the transition manager. Mr. Kline confirmed that Callan had not yet reached out to the managers of the Janus Fund or Magellan Fund but that more precise cost estimates would be provided to the Board following discussions with those managers.

Discussion ensued regarding the mapping options available to the Plan and the required notices and costs to participants. After the discussion, Mr. Cupoli moved to terminate the Janus Fund and map its assets to the Principal Fund and to terminate the Magellan Fund and map its assets to the Vanguard Fund. Mr. Mujica seconded the motion, and the motion was unanimously approved by the Board. Ms. Ritter expressed her appreciation of the efforts by Callan to review the mapping options for the assets and provide the recommendations to the Board.

III. STABLE INCOME FUND

David Starr, Marie Mastro and John Bisset of Dwight reported on the performance of the Stable Income Fund. Mr. Starr expressed Dwight's view that the Stable Income Fund is well-diversified with respect to its wrap issuers, underlying managers, style, securities and sectors in the marketplace. He noted that the Stable Income Fund's current yield, in excess of 2%, has been competitive, and that, in the last year, its performance has exceeded its benchmarks and Dwight's "custom index" for stable value funds calculated based on benchmarks for each underlying portfolio. Mr. Starr confirmed that, as requested at the last Board meeting, Dwight was preparing for the Board and Staff a report testing the sensitivity of the underlying assets of the Stable Income Fund to changes in interest rates.

Mr. Starr also noted that, in the last quarter, the final transfer of assets to MassMutual Life Insurance Company and ING Life Insurance and Annuity Company under the new wrap contracts had been completed in a seamless transition. Ms. Ritter expressed her gratitude for the amount and quality of work completed by Dwight in the restructuring of the Stable Income Fund and the wrap providers; Mr. Starr and Ms. Mastro acknowledged NRS and BNYM for their involvement in the transition.

Mr. Bisset then gave an overview on the market in the last quarter and an update on the underlying portfolios of the Stable Income Fund. He explained that interest rates rose in the last quarter by 10 basis points, driven by improved economic conditions and market expectations. In January, as the housing market improved given stability of prices, all sectors also produced excess returns and outperformed their respective benchmarks. Mr. Bisset then discussed the sub-manager returns. He stated that the performance of short duration portfolios were strongest, outperforming their benchmarks by 6 to 10 basis points in the last quarter. A question was raised concerning the ING Intermediate portfolio's reported negative allocation to cash. Mr. Bisset agreed to follow up with the sub-manager and the Board regarding the reason for the negative cash allocation.

IV. INVESTMENT CONSULTANT PRESENTATION

Mr. Kline and Ms. McKechnie from Callan provided an overview of the Plan's investment performance over the past year, noting that 2012 had been a strong year generally but with a relatively weak fourth quarter.

Ms. McKechnie noted that the T. Rowe Price Retirement Date funds have consistently outperformed their indices, but that the Davis Fund continued to underperform. Ms. McKechnie updated the Board on the Davis Fund, noting that Callan had met with the managers of the Davis Fund in January to get a sense of their investment strategy and the reasons for the fund's underperformance. Ms. McKechnie explained that while the performance of the Davis Fund is a cause for continuing concern, because of the relative stability of the fund's management, Callan was not yet considering recommending any action to, for example, freeze the fund to new investments or close the fund. Ms. McKechnie and Mr. Kline assured the Board that Callan would continue to monitor the performance of the Davis Fund. Ms. McKechnie also commented on the performance of the Janus Perkins Mid Cap Value Fund, the Wells Fargo Small Cap Fund and the Principal Fund. She stated that the Janus Perkins Mid Cap Value Fund tends to outperform in weak markets but, conversely, does not fully participate where markets are strong, resulting in a 2% drop in its relative performance in 2012. With respect to the Wells Fargo Small Cap Fund, Ms. McKechnie explained that, while the fund was underperforming, its management team has been stable for many years. She confirmed that Callan was not yet concerned over the underperformance of these funds but would continue to monitor their performance. Ms. McKechnie then gave a brief overview of Principal Fund's performance noting that, despite its underperformance in 2011, the Principal Fund's performance overall has remained strong and the fund has maintained organizational stability.

V. ADMINISTRATIVE SERVICE AGENCY PRESENTATION

Keri Metres summarized the administrative highlights of NRS, including the improvement of layout of participant statements. She noted that NRS had received no customer complaints regarding the new layout. Patrick Ray commented on NRS's improving HELPLINE service levels, which are now at 88% as of the date of the meeting. Mr. Ray also informed the Board that enrollment activity has increased by 20% from 2011 to 2012.

Mr. Ray next discussed the conversions that took place in 2012 and conversions in 2013 to date. He noted that NRS has been working closely with the city of Middletown on their upcoming conversion. He then gave a brief overview of adoptions of the Plan and the Model Plan, noting NRS's current focus on presenting to schools because of their unique ability to offer both 403(b) and 457(b) plans. Mr. Ray also stated that total deferrals increased by 2.5% from 2011 to 2012 and the Plan experienced a net gain of 3,279 participants in 2012.

VI. PRE-AUDIT DISCUSSION

Thomas Rey from CliftonLarsonAllen provided a summary of the procedures to be taken for the 2012-2013 Plan audit, performance criteria report and agreed-upon procedures report.

Kenneth Laverriere inquired about CliftonLarsonAllen's data capturing capabilities, and Mr. Rey explained that his team is currently working on improving their capabilities before the audit. Mr. Laverriere questioned whether performance monitoring could be improved to better detect compliance failures. Mr. Rey explained that CliftonLarsonAllen maintains procedures for monitoring for the breakdown of financial controls, but that it can be difficult or impossible to determine performance where the administrative service agency cannot provide information or no information on performance exists. Mr. Laverriere also inquired whether the performance criteria of the agreed-upon procedures could be revised to better capture items that are of importance to the Plan and the Board. Mr. Rey agreed to work with Staff to come up with a revised list of performance criteria based on criteria used by other clients of CliftonLarsonAllen and the Board and Staff's past experience with the audit process. Mr. Rey also confirmed that, while CliftonLarsonAllen's audit standards are not intended to detect fraud, the auditors have developed fraud testing capabilities, and NRS also conducts its own tests to detect fraud.

VII. PORTFOLIO REVIEW

Anthony Rizza and Karl Anderson from Columbus Circle joined the meeting. Ms. McKechnie informed Mr. Rizza and Mr. Anderson that the Board had approved a recommendation to map certain Plan assets to the Principal Fund managed by Columbus Circle. Mr. Anderson gave a brief introduction to Columbus Circle and provided an overview of the firm's assets under management and investment strategy. Mr. Rizza noted that Columbus Circle aims to invest in "positively surprising companies" that are growing, exhibiting positive momentum and exceeding investors' expectations. He noted that the firm chooses rapidly growing companies, not necessarily companies with low volatility. Discussion ensued regarding the Columbus Circle investment strategy and performance expectations.

There being no further issues to discuss, the meeting was adjourned at approximately 3:00 p.m.

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Sara Nosaka
Secretary of the Meeting